

Message Text

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12

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 FEA-01

AGR-10 /080 W

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R 081603Z AUG 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4301

UNCLAS SANTIAGO 5473

E.O.11652:N/A

TAGS: AFSP, ALOW, AFIN, CI

SUBJ: INFLATION IN JULY

REF: A) SANTIAGO 4854; B) SANTIAGO 4027

1. NATIONAL STATISTICAL INSTITUTE (INE) ANNOUNCED JULY INFLATION AT 9.3 PERCENT, WHICH IS THE LOWEST MONTHLY RATE EXPERIENCED THIS YEAR. BY SECTORS, THE INCREASES WERE: FOOD 11.9 PERCENT; HOUSING 12.6 PERCENT; CLOTHING 3.4 PERCENT AND MISCELLANEOUS 5.7 PERCENT

2. YEARLY INFLATION NOW STANDS AT 195.0 PERCENT COMPARED TO 173.9 PERCENT FOR EQUIVALENT PERIOD LAST YEAR. ON A TWELVE MONTHS BASIS THE RATE DECLINED TO 412.5 PERCENT FROM 422.9 PERCENT LAST MONTH.

3. COMMENT: AS NOTED LAST MONTH (REFTEL A) SLACK-OFF IN AGGREGATE DEMAND IS NOW HAVING NOTICEABLE IMPACT ON PRICE STRUCTURE. PRICE CONTROLLED ITEMS CONTINUE TO RISE AS GOC ADHERES TO POLICY OF ALLOWING INTERNATIONAL PRICES TO BE REFLECTED IN GOODS WITH LARGE IMPORT COMPONENTS. FURTHER, SOME PUBLIC UTILITIES ARE APPARENTLY STILL RECEIVING LESS THAN EQUILIBRIUM RETURNS FOR GOODS AND SERVICES SOLD

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REQUIRING RELATIVELY LARGE UPWARD ADJUSTMENT. NON-CONTROLLED

ITEMS, HOWEVER, HAVE TENDED TO BE MORE STABLE OR SOMETIMES EVEN LOWER
IN PRICE. ALSO, GOC ACTION TO FREEZE A MAJOR SAVINGS INSTRUMENT
IN THE LOCAL CAPITAL MARKET (REFTEL B) HAS TENDED TO LOWER
MONEY VELOCITY AND, CONSEQUENTLY, TO REDUCE INFLATION RATE.
NEVERTHELESS, CHILE IS STILL NOT OUT OF THE WOODS WITH ITS
INFLATION PROBLEMS: EVEN IF THE RATE WERE NO MORE THAN 5 PERCENT
A MONTH FROM NOW UNTIL THE END OF THE YEAR THE YEARLY RATE WOULD
BE OVER 250 PERCENT.
POPPER

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